

**ANNUAL FINANCIAL REPORT**  
**ST. TAMMANY PARISH**  
**FIRE PROTECTION DISTRICT NO. 1**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/26/06

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## TABLE OF CONTENTS

### EXHIBIT    PAGE

### FINANCIAL SECTION

<u>INDEPENDENT AUDITORS' REPORT</u> .....		1 - 2
---	--	-------

#### REQUIRED SUPPLEMENTARY INFORMATION:

Management's Discussion and Analysis (Unaudited).....		3 - 6
---	--	-------

#### BASIC FINANCIAL STATEMENTS:

##### GOVERNMENTAL-WIDE FINANCIAL STATEMENTS (GWFS)

Statement of Net Assets.....	A	7
Statement of Activities .....	B	8

##### FUND FINANCIAL STATEMENTS (FFS)

###### Governmental Funds:

Balance Sheet.....	C	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	D	10
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	E	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	F	12

NOTES TO FINANCIAL STATEMENTS.....		13 -24
------------------------------------	--	--------

#### OTHER REQUIRED SUPPLEMENTAL INFORMATION:

#### SCHEDULE

Budget Comparison Schedule .....	1	25
Notes to Budget Comparison Schedule.....		26
Schedule of Compensation Paid to Board Members .....	2	27
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....		28 - 29
Schedule of Findings and Questioned Costs.....		30 - 31
Schedule of Prior Year Findings .....		32

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## INDEPENDENT AUDITORS' REPORT

St. Tammany Parish Fire Protection District No. 1  
554 Old Spanish Trail  
Slidell, Louisiana 70458

We have audited the accompanying financial statements of the governmental activities and each major fund of the St. Tammany Parish Fire Protection District No. 1 (the District), a component unit of St. Tammany Parish, as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the St. Tammany Parish Fire Protection District No. 1 as of December 31, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2006, on our consideration of the St. Tammany Parish Fire Protection District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

**ERICKSEN KRENTEL & LAPORTE L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

St. Tammany Parish Fire Protection District No. 1

May 16, 2006

Page 2

The management's discussion and analysis information on pages 3 through 6 and the information contained in Schedules "1" and "2" are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

May 16, 2006

  
Certified Public Accountants

## **REQUIRED SUPPLEMENTARY INFORMATION**

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SLIDELL, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005**

This section of the St. Tammany Parish Fire Protection District No. 1's (the District) annual financial report presents management's analysis of the District's financial performance for the year ended December 31, 2005. This analysis should be read in conjunction with the audited financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

1. The District's net assets decreased by \$265,154.
2. The general revenues of the District were \$9,727,100.
3. The total expenses of the District were \$10,084,853.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of two sections: Management's Discussion and Analysis and audited financial statements. The financial statements also include notes that provide additional detail of the information included in the financial statements.

**BASIC FINANCIAL STATEMENTS**

The financial statements of the District report information about the District using accounting methods similar to those used by private companies. These financial statements provide financial information about the activities of the District.

The Statement of Net Assets presents the current and long-term portions of assets and liabilities separately.

The Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities presents information on how the District's net assets changed as a result of current period operations.

The following presents condensed financial information of the District.

**SUMMARY OF NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<b><u>ASSETS</u></b>	
	<b>December 31, <u>2005</u></b>	<b>December 31, <u>2004</u></b>
Current assets	\$ 13,045,317	\$ 11,338,249
Capital assets, net of accumulated depreciation	<u>4,267,487</u>	<u>4,394,310</u>
Total assets	<b><u>\$ 17,312,804</u></b>	<b><u>\$ 15,732,559</u></b>

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SLIDELL, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u><b>LIABILITIES</b></u>	
	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Current liabilities	\$ 880,033	\$ 640,820
Long-term liabilities	<u>2,289,862</u>	<u>683,676</u>
Total liabilities	<u>\$ 3,169,895</u>	<u>\$ 1,324,496</u>

	<u><b>NET ASSETS</b></u>	
Invested in capital assets, net of related debt	\$ 3,583,809	\$ 3,509,400
Unrestricted	<u>10,559,100</u>	<u>10,898,663</u>
Total net assets	<u>\$ 14,142,909</u>	<u>\$ 14,408,063</u>

Total assets increased by \$1,580,245 (10%) and total liabilities increased by \$1,845,399 (139%), primarily because of the issuance of a certificate of indebtedness totaling \$2,000,000 for capital purchases and operations.

Net assets decreased by \$265,154 (1.8%) as a result of operations.

**SUMMARY OF REVENUES, EXPENDITURES/EXPENSES  
AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
General revenues	\$ 9,727,100	\$ 10,219,200
Expenditures/ expenses	<u>(9,992,254)</u>	<u>(8,141,333)</u>
Change in net assets	<u>\$ (265,154)</u>	<u>\$ 2,077,867</u>

The change in net assets decreased by \$2,343,021. This decrease was caused by a decline in property tax revenue in 2005 as a result of reassessments following Hurricane Katrina.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SLIDELL, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005**

**CAPITAL ASSETS**

Following is a schedule of capital assets, net of accumulated depreciation:

	<u>December 31,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
Land	\$ 415,142	\$ 415,142
Buildings and improvements	1,720,548	2,139,648
Equipment	979,999	808,422
Computers	361,563	303,891
Vehicles	<u>3,461,157</u>	<u>3,393,708</u>
	6,938,409	7,060,811
Less: accumulated depreciation	<u>(3,144,743)</u>	<u>(3,195,301)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 3,793,666</u>	<u>\$ 3,865,510</u>

The major additions to capital assets during 2005 consisted of buildings, vehicles and various fire equipment.

**LONG-TERM DEBT**

At December 31, 2005, the District had \$2,683,678 in long-term debt which consisted of capital leases and bonds payable. During the year, the District's long-term debt increased by \$1,826,561 which was caused by the issuance of a \$2,000,000 certificate of indebtedness and principal payments on existing debt of \$173,439.

**BUDGET**

The following table presents the difference between the original budget and final budget for fiscal year 2005.

	<u>Original</u>	<u>Final</u>	<u>Variance</u>
Revenues:			
Ad valorem taxes	\$ 9,068,114	\$ 9,068,114	\$ -
State revenue sharing	450,000	450,000	-
Other	<u>489,616</u>	<u>489,616</u>	-
Total	<u>\$ 10,007,730</u>	<u>\$ 10,007,730</u>	<u>\$ -</u>



**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SLIDELL, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Original</u>	<u>Final</u>	<u>Variance</u>
Expenditures:			
Fire protection and prevention	\$ 9,505,877	\$ 9,505,877	\$ -
Capital outlay	<u>1,504,000</u>	<u>1,524,000</u>	<u>(20,000)</u>
Total	<u>\$ 11,009,877</u>	<u>\$ 11,029,877</u>	<u>\$ (20,000)</u>

The following table presents the variance between the final budget and the actual results for the fiscal year.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Ad valorem taxes	\$ 9,068,114	\$ 4,820,361	\$ (4,247,753)
State revenue sharing	450,000	512,628	62,628
Other	<u>489,616</u>	<u>861,573</u>	<u>371,957</u>
Total	<u>\$ 10,007,730</u>	<u>\$ 6,194,562</u>	<u>\$ (3,813,168)</u>
Expenditures:			
Fire protection and prevention	\$ 9,505,877	\$ 9,750,363	\$ (244,486)
Capital outlay	<u>1,524,000</u>	<u>767,735</u>	<u>756,265</u>
Total	<u>\$ 11,029,877</u>	<u>\$ 10,518,098</u>	<u>\$ 511,779</u>

The variance in total revenue is because of the timing of mailing the property tax bills in St. Tammany Parish, resulting in a delay of the availability of these funds.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This report is designed to provide a general overview of the District and to demonstrate the District's accountability for its finances. If you have any questions about this report or need additional information, please contact Chief Larry Hess, St. Tammany Parish Fire Protection District No. 1, 554 Old Spanish Trail, Slidell, Louisiana 70458.

## **BASIC FINANCIAL STATEMENTS**

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2005**

**ASSETS:**

Cash	\$ 2,023,830
Investments	2,591,189
Taxes receivable	7,593,034
Other receivables	785,946
Prepayments	51,318
Investment in communication system, net of amortization	473,821
Capital assets, net of accumulated depreciation	<u>3,793,666</u>
Total assets	<u>17,312,804</u>

**LIABILITIES:**

Accounts payable	140,296
Pension deduction payable	317,359
Accrued interest	28,500
Other liabilities	62
Long-term liabilities:	
Due within one year	393,816
Due after one year	<u>2,289,862</u>
Total liabilities	<u>3,169,895</u>

**NET ASSETS:**

Invested in capital assets, net of related debt	3,583,809
Unrestricted	<u>10,559,100</u>
Total net assets	<u>\$ 14,142,909</u>

The accompanying notes are an integral part of this statement

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**FUNCTIONS/PROGRAMS****GOVERNMENTAL ACTIVITIES:**

Public safety - fire protection	\$ 10,084,853
Total expenses	<u>10,084,853</u>
Charges for services	<u>92,599</u>
Total program revenues	<u>92,599</u>
Net (expense) from governmental activities	<u>(9,992,254)</u>

**GENERAL REVENUES:**

Property taxes	7,599,223
Fire insurance rebate	217,423
State revenue sharing	512,628
Investment earnings	178,681
Gain on disposal of assets	846,275
Grant revenues	323,763
Miscellaneous	<u>49,107</u>
Total general revenues	<u>9,727,100</u>
Change in net assets	(265,154)

**NET ASSETS:**

Beginning of the year	<u>14,408,063</u>
End of the year	<u>\$ 14,142,909</u>

The accompanying notes are an integral part of this statement

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**BALANCE SHEET**  
**DECEMBER 31, 2005**

**ASSETS**

**ASSETS:**

Cash	\$ 2,023,830
Investments	2,591,189
Taxes receivable	7,593,034
Other receivables	785,946
Prepayments	51,318
Investment in communication system	<u>87,567</u>
 Total assets	 <u>\$ 13,132,884</u>

**LIABILITIES:**

Accounts payable	\$ 140,295
Pension deduction payable	317,359
Deferred revenues	3,668,955
Due to other government	55,179
Other liabilities	<u>62</u>
 Total liabilities	 <u>4,181,850</u>

**FUND BALANCE:**

Unreserved	<u>8,951,034</u>
 Total liabilities and fund balances	 <u>\$ 13,132,884</u>

The accompanying notes are an integral part of this statement

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Fund balance - total governmental funds	\$ 8,951,034
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	3,793,666
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. All liabilities (both (both current and long-term), including the related accrued interest are reported in the Statement of Net Assets.	(2,712,178)
Deferred revenues are not received in the current period and, therefore, are not reported in the Statement of Net Assets.	3,668,955
The investment in communication system is expended over a 10 year period, and is reported in the governmental funds as amounts are paid. The amount reflected on the Statement of Net Assets represents the accrued total commitment, net of accumulated amortization.	<u>441,432</u>
Net assets of governmental activities	<u>\$ 14,142,909</u>

The accompanying notes are an integral part of this statement

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**GENERAL REVENUES:**

Property taxes	\$ 4,820,361
Fire insurance rebate	217,423
State revenue sharing	512,628
Investment earnings	178,681
Grant revenues	323,763
Miscellaneous	49,107
Charges for services	<u>92,599</u>
 Total general revenues	 <u>6,194,562</u>

**EXPENDITURES/EXPENSES:**

Fire protection:	
Salaries and related expenses	7,538,900
Repairs and maintenance	288,244
Deduction from ad valorem taxes for pension	317,359
Fire fighting equipment, supplies and related	339,852
Legal and professional services	333,986
Insurance	275,875
Amortization	22,791
Katrina expenses	264,255
Office supplies	44,717
Telephone and utilities	101,709
Training expenses	44,458
Miscellaneous	49,430
Capital outlay	767,735
Debt service:	
Principal	118,260
Interest	<u>10,527</u>
 Total expenditures/expenses	 <u>10,518,098</u>

(Deficiency) of revenues over expenditures (4,323,536)

**OTHER FINANCING SOURCES:**

Insurance proceeds	1,261,605
Proceeds from issuance of debt	<u>2,000,000</u>
 Total other financing sources	 <u>3,261,605</u>

Net change in fund balance (1,061,931)

**FUND BALANCE/NET ASSETS:**

Beginning of the year	<u>10,012,965</u>
 End of the year	 <u>\$ 8,951,034</u>

The accompanying notes are an integral part of this statement

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Net change in fund balance - governmental fund \$ (1,061,931)

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures. However in the  
Statement of Activities the cost of those assets is allocated over their  
estimated useful lives and reported as depreciation expense. This is the  
amount by which capital asset additions of \$689,778 was exceeded by  
depreciation expense of \$346,293 in the current period. 343,485

Repayments of note principal are reported as financing uses in  
governmental funds and thus contribute to the reduction in fund balance.  
In the Statement of Net Assets, however, repayment of debt decreases the  
long-term liabilities and does not affect the Statement of Activities. 118,260

Under the modified accrual basis of accounting used in the governmental funds,  
deferred revenue is not recognized until received, rather than as it is earned.  
This is the amount by which current deferred revenue recognized of  
\$3,668,955 exceeded prior year deferred revenue recognized of \$890,093. 2,778,862

Long-term liabilities are not due and payable in the current period and,  
therefore, are not reported in the governmental funds. All liabilities (both  
current and long-term) are reported in the Statement of Net Assets. (2,000,000)

Interest accrued on the government-wide financial statements are  
not expensed until paid under the modified accrual basis used in the  
government funds. (28,500)

Gain on disposal of assets in the Statement of Activities reflects the  
total insurance proceeds received less the net book value of the damaged or  
destroyed capital assets. Governmental funds report capital outlays as  
expenditures when purchased. Therefore the Statement of Revenues and  
Expenditures reports only the insurance proceeds received as an  
other financing source. (415,330)

\$ (265,154)

The accompanying notes are an integral part of this statement



**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The St. Tammany Parish Fire Protection District No. 1 (the District) was created by the St. Tammany Parish Council as provide by Louisiana Revised Statute 40:1492. The District is responsible for fire protection in the City of Slidell and the immediate surrounding area. The administration of the District is governed by a board of commissioners consisting of five members. Two members are appointed by the parish governing authority and two by the governing body of the municipal corporation in the district. The fifth member is selected by the other four members and serves as chairman. Vacancies are filled by the governing bodies making the original appointments. Board members serve two-year terms without compensation. The District operates seven fire stations within the district and provides fire protection services in an area covering approximately 120 square miles. In addition to fire protection service, the District also provides fire prevention service to the public.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the District is considered a component unit of the St. Tammany Parish Council. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

**Basis of Presentation**

The District's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, issued in June 1999.

**Basic Financial Statements - Government-Wide Financial Statements (GWFS)**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's fire protection activities and related general administrative services are classified as governmental activities. The District does not have any business-type activities.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2005**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basic Financial Statements - Government-Wide Financial Statements (GWFS)**  
**(continued)**

In the government-wide Statement of Net Assets (Exhibit A), the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The District's net assets are reported in two parts - invested capital assets and unrestricted net assets.

The government-wide Statement of Activities (Exhibit B) reports both gross and net cost of the District's function. The function is supported by general government revenues (ad valorem tax). Any program revenues and operating grants received would reduce gross expenses in the Statement of Activities.

This government-wide focus is on the sustainability of the District as an entity and the change in the District's net assets resulting from current year's activities.

**Basic Financial Statements - Fund Financial Statements (FFS)**

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The District's current operations require the use of only the following fund type:

**Governmental Fund:**

The focus of the governmental fund's measurement (in the fund statement) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. In general, fund balance represents the accumulated expendable resources, which may be used to finance future operations of the District.

**General Fund**

The General Fund is the principal fund of the District and is used to account for the operations of the District. General revenues are accounted for in this fund. General operating expenditures are paid from this fund.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2005**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**Basis of Accounting (continued)**

**Accrual**

The governmental activities in the government-wide financial are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Modified Accrual**

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

The District records are maintained on the cash basis of accounting. However, the General Fund reported in the accompanying financial statements has been converted to a modified accrual basis of accounting utilizing the following practices in recording revenues and expenditures:

**Revenues**

Property taxes, state revenue sharing, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual, subject to availability, and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Interest income on investments is recorded when the investments have matured and income is available.

All other revenues are recorded when received.

**Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2005**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law allows the entity to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Investments are reported at fair value when the difference between cost and market is considered material.

**Receivables and Payables**

All trade and property tax receivables are shown net of a 10% allowance for uncollectibles. The allowance is based on prior years' experience.

Property taxes are levied on a calendar year basis, become due on December 31 and are considered delinquent on January 1. The District authorized and levied a 35 mill ad valorem tax for operations and maintenance for the year ended December 31, 2005.

The following are the principal taxpayers and related property tax revenue for the entity:

	<u>Assessed Valuation</u>	<u>% of Total Assessed Value</u>
Central LA Electric Co.	\$ 12,160,760	3.36%
BellSouth Telecommunications	7,179,710	1.98%
McKesson Corporate	5,329,930	1.47%
Chase	3,723,450	1.03%
Capital One	3,265,090	0.90%
Sizeler North Shore Limited	2,777,650	0.77%
Atmos Energy Louisiana	2,183,170	0.65%
Northshore Regional Medical Center	1,987,710	0.55%
Healthcare Prop Partnership	<u>1,705,950</u>	<u>0.47%</u>
	<u>\$ 40,313,420</u>	<u>11.18%</u>

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2005**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

Capital assets, which include property, plant and equipment are reported in the government wide statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold of \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	40 Years
Vehicles	10 - 20 Years
Equipment	10 - 40 Years

**Compensated Absences**

Employees of the District are entitled to 18 to 30 days of annual leave each year, depending on length of service. Sick leave is granted to each regular employee for a period of not more than 52 weeks. The cost of current leave privileges, computed in accordance with GASB Codification C60, is recognized as a current-year expense when leave is actually taken. Annual and sick leave can not be carried over; therefore, there are no accumulated leave benefits required to be reported in accordance with GASB Codification C60.

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2005**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

**(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The District published the proposed budget for the General Fund in the office journal on December 9, 11, and 14, 2004. A public hearing was held on December 22, 2004 and the board adopted the budget on December 30, 2004. The budget is prepared using the cash basis of accounting. All appropriations lapse at year end. Formal budget integration within the accounting records is not employed as a management control device during the year. However, the board reviews budget versus actual reports on a monthly basis. Changes or amendments are made upon approval of the board. There was one amendment for the year ended December 31, 2005.

**(3) CASH AND CASH EQUIVALENTS**

At December 31, 2005, the District has cash and cash equivalents (book balances) totaling \$2,023,830 as follows:

Tax certificate account	\$ 1,632,833
Checking	356,551
Interest-bearing demand deposits	33,394
Other	<u>1,052</u>
	<u>\$ 2,023,830</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2005, \$2,112,400 of the District's bank balance of \$2,212,400 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in District's name	<u>\$ 2,112,400</u>
--	---------------------

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2005**

**(4) INVESTMENTS**

As of December 31, 2005, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Federal Home Loan Mortgage Corporation	1/10/06	\$ 549,560
Federal Home Loan Mortgage Corporation	2/1/06	747,450
Federal National Mortgage Association	1/10/06	199,840
Federal National Mortgage Association	3/1/06	1,082,697
Hancock Horizon Treasury Fund	Current	<u>11,642</u>
		<u><b>\$ 2,591,189</b></u>

**Interest Rate Risk**

The District does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

The District places no limit on the amount the District may invest in any one issuer. A significant percentage of the District's investments are in FHLMC and FNMA discount notes. These investments are 50% and 49%, respectively, of the District's total investments.

**(5) RECEIVABLES**

The receivables of \$8,378,980 at December 31, 2005 are as follows:

<u>Class of Receivable</u>	<u>Amount</u>
Taxes – ad valorem	\$ 7,593,034
Intergovernmental – grants – federal	148,700
Intergovernmental – grants – state	497,903
Accounts	94,000
Other	<u>45,343</u>
	<u><b>\$ 8,378,980</b></u>

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2005**

**(6) CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended December 31, 2005 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 415,142	\$ -	\$ -	\$ 415,142
Total capital assets not being depreciated	415,142	-	-	415,142
Capital assets, being depreciated:				
Buildings	2,139,648	338,600	(757,700)	1,720,548
Equipment and furniture	4,506,021	351,178	(54,480)	4,802,719
Total capital assets being depreciated	6,645,669	689,778	(812,180)	6,523,267
Less accumulated depreciation for:				
Buildings	(833,447)	(55,569)	369,395	(519,621)
Equipment and furniture	(2,361,854)	(290,724)	27,456	(2,625,122)
Total accumulated depreciation	(3,195,301)	(346,293)	396,851	(3,144,743)
Total capital assets, net	\$ 3,865,510	\$ 343,485	\$ (415,329)	\$ 3,793,666

Depreciation expense of \$346,293 for the year ended December 31, 2005, was charged to fire protection. Equipment and furniture includes \$570,288 of vehicles under capital lease. Accumulated depreciation on leased assets for the year ended December 31, 2005 was \$93,464.

**(7) INVESTMENT IN COMMUNICATION SYSTEM**

On August 13, 2003, the District signed a cooperative endeavor agreement with the City of Slidell whereby the District receives use of the City's communication system and radios. Under the agreement, beginning July 1, 2004, the District was obligated to make ten annual payments of \$55,179 for a total of \$551,791 for its share of the system and radios. Additionally, the District is required to make annual payments for maintenance beginning July 1, 2005. The first three payments are set up at \$14,208. Beginning July 1, 2008, the payment will be based on the City's renegotiated maintenance contract. The financial statements include an asset and an obligation for the District's share in the system. The asset will be amortized over 10 years. Amortization for the year ended December 31, 2005 is \$55,179. The maintenance contract expense will be expensed annually.



**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2005**

**(8) ACCOUNTS AND OTHER PAYABLES**

At December 31, 2005, the payables totaled \$457,717 and are listed as follows:

Sheriff's pension payable	\$ 317,359
Accounts	<u>140,358</u>
	<u>\$ 457,717</u>

**(9) LONG-TERM DEBT AND CAPITAL LEASES**

	<u>Balance at</u> <u>1/1/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>12/31/05</u>	<u>Due Within</u> <u>One Year</u>
Limited tax certificates of indebtedness, interest rate at 3.42%, maturing on March 1, 2013	\$ -	\$ 2,000,000	\$ -	\$ 2,000,000	\$ 220,000

Following is a summary of future principal and interest requirements:

<u>Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 220,000	\$ 280,496	\$ 500,496
2007	230,000	60,876	290,876
2008	235,000	53,010	288,010
2009	245,000	44,973	289,973
2010	255,000	36,594	291,594
2011-2013	<u>815,000</u>	<u>56,259</u>	<u>871,259</u>
	<u>\$ 2,000,000</u>	<u>\$ 532,208</u>	<u>\$ 2,532,208</u>

Interest incurred and charged to expense for the year ended December 31, 2005 was \$28,500.

The District records items under capital leases as an asset and an obligation in the accompanying financial statements. On November 4, 2002, the District entered into a capital lease agreement for the purchase of two fire trucks for a five year term at an annual interest rate of 4.19%.

The following is a schedule of changes in long-term debt, capital leases:

Balance, December 31, 2004	\$ 360,504
Additions	-
Deductions	<u>(118,260)</u>
Balance, December 31, 2005	<u>\$ 242,244</u>

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2005

**(9) LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)**

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of December 31, 2005.

<u>Fiscal Year</u>	<u>Equipment</u>
2006	\$ 128,787
2007	<u>128,787</u>
Total minimum lease payments	257,574
Less: amounts representing interest	<u>(15,330)</u>
Present value of net minimum lease payments	<u>\$ 242,244</u>

As more fully described in Note 7, the District has recorded a long-term obligation to the City of Slidell associated with its investment in the City's communication system.

The following is a schedule of changes to this obligation:

Balance, December 31, 2004	\$ 496,613
Payments	<u>(55,179)</u>
Balance, December 31, 2005	<u>\$ 441,434</u>

The following is a summary of future payments under this obligation:

<u>Year Ending</u>	<u>Total</u>
2006	\$ 55,179
2007	55,179
2008	55,179
2009	55,179
2010	55,179
2011-2013	<u>165,539</u>
	<u>\$ 441,434</u>

**(10) PENSION PLAN**

All full-time employees of the District are members of the Louisiana Firefighters' Retirement System (the System), a cost-sharing, multiple-employer defined benefit plan administered by a separate board of trustees.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2005**

**(10) PENSION PLAN (CONTINUED)**

Membership in the System is mandatory for all full-time firefighters employed by a municipality, parish or fire district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit payable monthly for life, equal to three and one-third percent of their final average salary for each year of creditable service, not to exceed 100 percent of their final average salary. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service stated above and do not withdraw their employee contributions may retire at or after age 55 (or at or after 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination.

The system also provides death and disability benefits. Benefits are established by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Louisiana Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling, (225) 925-4060.

**Funding Policy**

For the twelve months ended December 31, 2005, members of the System are required to contribute 8% of their annual covered salary and the District is required to contribute at an actuarially determined rate. For the year ended December 31, 2005, the employer contribution rate was 18%.

The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The amount of the District's employer contributions to the System for the years ended December 31, 2005, 2004, 2003 and 2002 were \$1,062,923, \$464,771, \$765,056 and \$467,089, respectively, equal to the required contributions.

**(11) OTHER POSTEMPLOYMENT BENEFITS**

The District provides post employment health care coverage for all retirees. The District pays fifty percent of the retirees' premium. Spouses and dependents are not included. For the year ended December 31, 2005, the District paid \$55,977 on behalf of nine retirees.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2005**

**(12) RISK MANAGEMENT**

The District is exposed to all common perils associated with fire protection. To minimize loss occurrence and transfer risk, the district carries various commercial insurance policies including property, casualty, employee dishonesty, public official's liability, business auto and other miscellaneous policies. These policies are reviewed for adequacy by management annually.

**(13) CONTINGENT LIABILITIES**

At December 31, 2005, the District is involved in two lawsuits. The District's legal advisors are unable to estimate the ultimate resolution of such matters. Consequently, no liability has been recorded in the accompanying financial statements. Both of the claims are potentially within the District's insurance coverage limits.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SLIDELL, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	As Amended		
<b><u>GENERAL REVENUES:</u></b>				
Property taxes	\$ 9,068,114	\$ 9,068,114	\$ 4,820,361	\$ (4,247,753)
Fire insurance rebate	175,000	175,000	217,423	42,423
State revenue sharing	450,000	450,000	512,628	62,628
Investment earnings	45,000	45,000	178,681	133,681
Grant revenues	-	-	323,763	323,763
Miscellaneous	175,616	175,616	49,107	(126,509)
Charges for services	94,000	94,000	92,599	(1,401)
 Total general revenues	 10,007,730	 10,007,730	 6,194,562	 (3,813,168)
<b><u>EXPENDITURES/EXPENSES:</u></b>				
Fire protection:				
Salaries and related expenses	7,969,225	7,969,225	7,538,900	430,325
Repairs and maintenance	351,000	351,000	288,244	62,756
Deduction from ad valorem taxes for pension	-	-	317,359	(317,359)
Fire fighting equipment, supplies and related	307,000	307,000	339,852	(32,852)
Legal and professional services	327,414	327,414	333,986	(6,572)
Insurance	332,638	332,638	275,875	56,763
Amortization	-	-	22,791	(22,791)
Katrina expenses	-	-	264,255	(264,255)
Office supplies	45,600	45,600	44,717	883
Telephone and utilities	104,000	104,000	101,709	2,291
Training expenses	60,000	60,000	44,458	15,542
Miscellaneous	9,000	9,000	49,430	(40,430)
Capital outlay	1,374,000	1,394,000	767,735	626,265
Debt service:				
Principal	130,000	130,000	118,260	11,740
Interest	-	-	10,527	(10,527)
 Total expenditures/expenses	 11,009,877	 11,029,877	 10,518,098	 511,779
 (Deficiency) of revenues over expenditures	 (1,002,147)	 (1,022,147)	 (4,323,536)	 (3,301,389)
<b><u>OTHER FINANCING SOURCES:</u></b>				
Insurance proceeds	-	-	1,261,605	1,261,605
Proceeds from issuance of debt	-	-	2,000,000	2,000,000
 Total other financing sources	 -	 -	 3,261,605	 3,261,605
 Net change in fund balance	 (1,002,147)	 (1,022,147)	 (1,061,931)	 (39,784)
 Beginning of the year	 10,012,965	 10,012,965	 10,012,965	 -
 End of the year	 \$ 9,010,818	 \$ 8,990,818	 \$ 8,951,034	 \$ (39,784)

(See Auditors' Report)

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

The District published the proposed budget for the General Fund in the office journal on December 9, 11, and 14, 2004. A public hearing was held on December 22, 2004 and the board adopted the budget on December 30, 2004. The budget is prepared using the cash basis of accounting. All appropriations lapse at year end. Formal budget integration within the accounting records is employed as a management control device during the year. The board also reviews budget versus actual reports on a monthly basis. Changes or amendments are made upon approval of the board. There was one amendment for the year ended December 31, 2005.

Budget variances in total revenue are caused by the delay in the availability of property tax revenues as a result of the late property tax billing following Hurricane Katrina. Billings were not mailed until after year end. The District had no information on which to base an amendment for the late tax bills before year-end.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1  
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

Board members serve without compensation

**(See Auditors' Report)**

# ERICKSEN KRENTEL & LA PORTE L.L.P.

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BENJAMIN J. ERICKSEN - RETIRED  
J.V. LECLERE KRENTEL - RETIRED

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

St. Tammany Parish Fire Protection District No. 1  
Slidell, Louisiana

We have audited the financial statements of the governmental activities of each major fund of St. Tammany Parish Fire Protection District No. 1, (the District) as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Tammany Parish Fire Protection District No. 1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Tammany Parish Fire Protection District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**ERICKSEN KRENTEL & LAPORTE L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

St. Tammany Parish Fire Protection District No. 1  
May 16, 2006

This report is intended solely for the information and use of the board of commissioners and management, others within the organization and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

May 16, 2006

  
Certified Public Accountants

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

We have audited the financial statements of St. Tammany Parish Fire Protection District No. 1 as of and for the year ended December 31, 2005, and have issued our report thereon dated May 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2005 resulted in an unqualified opinion.

**SECTION I SUMMARY OF AUDITORS' REPORTS**

**a. Report on Internal Control and Compliance Material to the Financial Statements**

**Internal Control**

Material Weaknesses ☐ Yes ☒ No

Reportable Conditions ☐ Yes ☒ No

**Compliance**

Compliance Material to Financial Statements ☐ Yes ☒ No

**b. Federal Awards Not Applicable**

**Internal Control**

Material Weaknesses ☐ Yes ☐ No

Reportable Conditions ☐ Yes ☐ No

Type of Opinion on Compliance Unqualified ☐ Qualified ☐  
for Major Programs Disclaimer ☐ Adverse ☐

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)? ☐ Yes ☐ No

**c. Identification of Major Programs: Not Applicable**

CFDA Number(s)	Name of Federal Program (or Cluster)

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Dollar threshold used to distinguish Type A and Type B Programs \$ \_\_\_\_\_

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133?

☐ Yes ☐ No **Not Applicable**

**SECTION II FINANCIAL STATEMENT FINDINGS**

NONE

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE  
FINANCIAL STATEMENTS**

Not Applicable

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO  
FEDERAL AWARDS**

Not Applicable

**SECTION III MANAGEMENT LETTER**

Not Applicable